

HIGH-SPEED PASSENGER TRAIN FINANCE COMMITTEE

RESOLUTION III (2009)

(Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century; Proposition 1A)

Resolution (i) Amending the Provisions of Resolution I Authorizing the Issuance of State of California High-Speed Passenger Train Bonds or Commercial Paper Notes in the Principal Amount Not to Exceed \$32,010,000, and (ii) Authorizing the Issuance of State of California High-Speed Passenger Train Bonds or Commercial Paper Notes in the Principal Amount Not to Exceed (a) the Principal Amount Unissued under Resolution I of \$32,010,000, and (b) an Additional Principal Amount Not to Exceed \$448,790,000, for a Total Principal Amount Not to Exceed \$480,800,000.

WHEREAS, the Legislature of the State of California adopted the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Chapter 267, Statutes of 2008; Proposition 1A) (the "Act"), including the State General Obligation Bond Law (Section 16720 *et seq.* of the California Government Code) as incorporated therein; and

WHEREAS, the People of the State of California, at an election held on November 4, 2008, approved the Act; and

WHEREAS, one or more of the state agencies referred to in the Act (the "Agencies") previously requested that the High-Speed Passenger Train Finance Committee (the "Committee") authorize the issuance of \$32,010,000 principal amount of bonds or other obligations under the Act to carry out the purposes specified in the Act; and

WHEREAS, the Agencies are authorized to fund part or all of the costs of projects, as authorized under the Act, principally for the purposes described in the Act (the "Projects"), from interim, internally borrowed funds subject to future reimbursement from proceeds of State bonds or commercial paper notes; and

WHEREAS, the Committee previously determined it was necessary and desirable to issue bonds or other obligations under the Act; and

WHEREAS, as a means of providing funds to the State, at the lowest cost, prior to the issuance by the State of its general obligation bonds, or as a part of the State's overall funding program, the State desired to have the option to issue general obligation commercial paper notes pursuant to Section 16731.6 of the California Government Code to carry out the purposes specified in the Act; and

WHEREAS, if general obligation commercial paper notes have been issued to carry out the purposes specified in the Act, the Committee may authorize the issuance by the State from time to time of general obligation bonds as refunding securities pursuant to Section 16780 *et seq.* of the California Government Code to repay any such outstanding general obligation commercial paper notes; and

WHEREAS, to implement the above described actions, on January 16, 2009, the Committee adopted its Resolution I authorizing the issuance of State of California High-Speed Passenger Train Bonds or Commercial Paper Notes in the principal amount not to exceed \$32,010,000 ("Resolution I"); and

WHEREAS, as of the date of adoption of this Resolution, the State has issued no bonds pursuant to Resolution I; and

WHEREAS, the Agencies have requested that the Committee authorize the issuance of an additional \$448,790,000 in principal amount of Bonds; and

WHEREAS, the Committee has determined that it is necessary and desirable to authorize the issuance hereunder of Bonds in the principal amount of bonds not yet issued under Resolution I and an additional \$448,790,000 in principal amount of Bonds pursuant to this Resolution (together, the "Authorized Amount") and to amend Resolution I so that bonds and commercial paper notes authorized by Resolution I but not yet issued may no longer be issued in accordance with Resolution I and will instead be issued in accordance with this Resolution; and

WHEREAS, the Committee has also determined to transfer any outstanding PMIA (as defined herein) loans and GF (as defined herein) loans previously issued under Resolution I and any commercial paper notes previously issued under Resolution I (the "Resolution I Notes") to this Resolution; and

WHEREAS, Treasury Regulations Section 1.150-2 requires the State (on whose behalf the Committee is acting) to declare its reasonable intent to reimburse prior expenditures made by the Agencies for costs of the Projects with proceeds of future issuances of general obligation bonds or commercial paper notes;

NOW, THEREFORE, BE IT RESOLVED by the Committee (1) to amend the provisions of Resolution I so that bonds and commercial paper notes may no longer be issued in accordance with Resolution I and to transfer any outstanding PMIA loans, GF loans and Resolution I Notes to this Resolution and (2) to authorize issuance of Obligations under this Resolution in a principal amount such that the aggregate principal amount of Notes and Resolution I Notes outstanding together with the aggregate principal amount of Bonds shall never exceed the Authorized Amount, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01 Definitions. Unless the context otherwise requires, the following terms and any terms defined in the recitals above, for all purposes of this Resolution and of any Supplemental Resolution have the meanings specified in this Section or in such recitals, as applicable.

“Act” means the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Chapter 267, Statutes of 2008; Proposition 1A), including the State General Obligation Bond Law (Section 16720 *et seq.* of the California Government Code) as incorporated therein.

“Ancillary Costs” means the costs of carrying and implementing Obligations, such as costs of credit enhancement or liquidity, broker-dealers, underwriters, remarketing agents, tender and paying agents, auction agents, dealers, financial advisers, legal counsel or similar professionals required, in the judgment of the Treasurer, to provide for the issuance, security and continued operation of any issue of Obligations.

“Authorized Amount” means \$480,800,000.

“Authorized Denominations” means (i) for Notes denominations of \$100,000 or an integral multiple of \$1,000 in excess thereof, (ii) for Bonds bearing interest at variable rates has the meaning set forth in the Supplemental Certificate relating to such Bonds, provided that such Bonds shall be in denominations of multiples of \$1,000, and (iii) for Bonds bearing interest at fixed rates denominations of \$5,000 or any multiple of \$5,000.

“Available Funds” means amounts which are legally available for payment of the Obligations consisting:

(i) in the case of principal of the Notes, of proceeds of general obligation bonds or commercial paper notes issued under the Act and authorized by the Committee to refund such Notes; and

(ii) in the case of principal or Purchase Price of or interest on any Obligations, of any money in the General Fund of the State, subject only to the prior application of such money to the support of the public school systems and public institutions of higher education.

“Beneficial Owner” means, with respect to any book-entry Obligation, the beneficial owner of such Obligation as determined in accordance with the applicable rules of the Securities Depository.

“Bond” means any Bond issued under the Act and this Resolution.

“Bondholder” means any person who is the registered owner of any Bond.

“Business Day” means any day other than a Saturday, a Sunday, a State holiday, or any other date specifically designated not to be a Business Day pursuant to a Supplemental Resolution or Supplemental Certificate for any Series of Bonds.

“Certificate of the State” means a written instrument signed on behalf of the State by the Treasurer. Any such instrument so signed shall be deemed issued and effective for all purposes when a copy thereof is electronically transmitted or mailed by regular or registered mail.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” means a continuing disclosure certificate executed and delivered concurrently with the issuance of any Bonds pursuant to Section 6.06.

“Controller” means the Controller of the State.

“Credit Agreement” means any standby note purchase agreement, letter of credit and reimbursement agreement or other agreement between the State and the Credit Provider or Credit Providers to provide credit enhancement or liquidity support for any Obligations, entered into pursuant to Sections 4.04 (with respect to Notes) or 5.03 (with respect to Bonds).

“Credit Provider” means each bank, syndicate of banks, bond insurer or other financial institution appointed by the Treasurer pursuant to Section 4.04 (with respect to Notes), Section 5.03 (with respect to Bonds) or pursuant to a Supplemental Certificate and their permitted successors and assigns.

“Defeasance Obligations” means:

(i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, including receipts, certificates or any other evidences of an ownership interest in (i) or in specified portions thereof, which are rated in the highest rating category by each rating agency rating such obligations;

(ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States;

(iii) pre-refunded municipal bonds which are rated in the highest rating category by each rating agency rating such bonds;

(iv) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended; debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended; bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act; bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended and bonds of any federal home loan bank established under that act; obligations of the Federal Home Loan Mortgage Corporation; bonds, notes and other obligations issued by the

Tennessee Valley Authority under the Tennessee Valley Authority Act as amended; and bonds, notes and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended, provided, however that the Defeasance Obligations specified in this paragraph (iv) shall be rated by at least two of any three rating agencies rating such obligations not lower than the higher of (1) the rating on the Bonds or Notes to be defeased at the time of the original issuance thereof and (2) the rating on the Bonds or Notes to be defeased at the time of defeasance;

(v) deposit in the State Surplus Money Investment Fund; or

(vi) any other investment designated in a Supplemental Certificate as a Defeasance Obligation for purposes of defeasing the Bonds or Notes authorized by such Supplemental Certificate, provided that each rating agency has confirmed in writing to the Treasurer that the use of such other investment will not, by itself, result in the withdrawal, suspension or downgrade of any rating issued by such rating agency with respect to any such Bonds or Notes defeased.

“DTC” means The Depository Trust Company and its successors and assigns.

“GF” shall have the meaning given in Section 8.02 of this Resolution.

“Governor” means the Governor of the State.

“Holder” means any Noteholder or Bondholder.

“Issuing and Paying Agent” means the agent appointed by the Treasurer pursuant to Section 4.03.

“Issuing and Paying Agent Agreement” means an agreement between the Treasurer and the Issuing and Paying Agent entered into pursuant to Section 4.03.

“Nominee” means Cede & Co., as nominee of DTC, or any successor nominee.

“Note” means any commercial paper note issued under the Act and this Resolution, titled “State of California General Obligation Tax-Exempt Commercial Paper Note” or “State of California General Obligation Taxable Commercial Paper Note” in the form described in Section 3.03, including any Notes held by any Credit Providers pursuant to a Credit Agreement.

“Noteholder” means any person who is the registered owner of any Note, including any Credit Provider.

“Obligation” means any Note or any Bond.

“PMIA” shall have the meaning given in Section 8.02 of this Resolution.

“Purchase Price” means any amounts of principal and accrued interest payable to a Bondholder as a result of any mandatory or optional tender of any Bonds prior to the regularly

scheduled principal or interest payment date for such Bonds, as provided in the terms applicable to such Bonds.

“Record Date” shall for Bonds bearing interest at variable rates have the meaning set forth in the Supplemental Certificate relating to such Bonds, and otherwise means the close of business on the 15th day of the month immediately preceding an interest payment date, whether or not the date is a Business Day.

“Refunding Law” means Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4, Title 2 of the California Government Code.

“Resolution” means this Resolution, including the appendices hereto, as it may from time to time be supplemented by a Supplemental Certificate, or supplemented, modified or amended by any Supplemental Resolution.

“Resolution I Notes” means any commercial paper notes issued under the Act and Resolution I.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Securities Depository” means DTC.

“Series” means all of the Bonds or Notes designated as being of the same series.

“State” means the State of California.

“Supplemental Certificate” means a supplemental certificate of the Treasurer setting forth the terms, conditions and provisions relating to any Series of Bonds.

“Supplemental Resolution” means any resolution then in full force and effect which has been duly adopted by the Committee, amendatory of or supplemental to this Resolution, but only if and to the extent that such supplemental resolution is specifically authorized by Section 8.01.

“Treasurer” means the Treasurer of the State or any Deputy Treasurer of the State and any other person designated by the Treasurer to act hereunder on behalf of the Treasurer.

“Underwriters” means, if applicable, the underwriters designated from time to time by the Treasurer pursuant to Section 5703 of the California Government Code in connection with the issuance of any Obligations. “Underwriters” may include dealers for Notes.

ARTICLE II

GENERAL AUTHORIZATION

Section 2.01 Authorization.

The Committee has examined the request and supporting statements for the issuance of Obligations and has determined that it is necessary and desirable to authorize the issuance and sale of Obligations under the Act in a principal amount such that the aggregate principal amount of Notes and Resolution I Notes outstanding together with the aggregate principal amount of Bonds shall never exceed the Authorized Amount; that all conditions, things and acts required by law to exist, happen and be performed precedent to and in connection with the issuance of the Obligations, do exist, have happened and have been performed in due time, form and manner as required by law, and that this Committee is now empowered to issue and hereby authorizes the issuance of Obligations, in a principal amount such that the aggregate principal amount of Notes and Resolution I Notes outstanding together with the aggregate principal amount of Bonds shall never exceed the Authorized Amount. Notwithstanding any other provisions of this Resolution, no Bonds bearing interest at variable rates of interest may be issued if such action would cause the aggregate principal amount of all State general obligation bonds bearing interest at variable rates to exceed the maximum amount of variable rate bonds permitted by Section 16731 of the California Government Code to be outstanding (as defined therein).

ARTICLE III

AUTHORIZATION OF NOTES

Section 3.01 Authorization of Notes. The Committee further finds that issuance of obligations under the Act in the form of commercial paper notes is necessary and desirable. Subject to Section 2.01, the Treasurer is authorized to determine the amount of Notes which may be desirable to sell and issue to carry out the purposes of the Act and this Resolution, and to arrange for the preparation of the requisite number of suitable Notes. The general obligations represented by the Notes may be combined by the Treasurer with other general obligations authorized under other bond acts. Subject to the provisions of Section 2.01, Notes may be issued in an unlimited aggregate principal amount so long as the aggregate principal amount of Notes and Resolution I Notes outstanding together with the aggregate principal amount of Bonds shall never exceed the Authorized Amount.

Section 3.02 Terms and Security of Notes. Subject to the limitation stated in Section 3.01 and consistent with any provisions of a Credit Agreement relating to such Notes, Notes may be issued at such times and in such principal amounts as from time to time shall be determined by the Treasurer.

Notes shall be dated, numbered, mature and become payable on such dates as the Treasurer may establish at the time of issuance thereof, provided that no Note shall mature or become payable more than 270 days from the date of issuance thereof and no Note shall mature or become payable after five calendar days prior to the termination date of any Credit Agreement

applicable to the Note. Notwithstanding the foregoing, any Notes held by a Credit Provider shall mature and be payable at such times as are provided in the Credit Agreement relating to such Notes. The Committee has considered program funding needs, revenue projections, financial market conditions, and other necessary factors in determining the term of the Notes and the Note program. The term of the Notes shall be not more than 270 days from the date of issuance thereof. The term of the program of commercial paper notes under this Resolution shall not be more than 40 years from the date of initial issuance of Notes pursuant to this Resolution or Resolution I Notes. No Notes, including Notes held by Credit Providers, shall have a final maturity date more than 40 years after the initial issuance of Notes pursuant to this Resolution, which is hereby deemed to be the maximum duration of the program of commercial paper notes under this Resolution for purposes of California Government Code Sections 16731.6 and 16781.5 and the final maturity date of a series of bonds pursuant to California Government Code Section 16783.

Notes may bear interest at such rates or in such amounts as may be determined by the Treasurer at the time of issuance thereof (but not to exceed the greater of (i) 11% per annum, or (ii) the maximum rate allowed by law at the time of issuance of the Notes), and the Notes may be sold in such manner at public or private sale and at a price equal to the principal amount thereof. Interest on any Note shall be payable at maturity. Interest shall be calculated on the basis of a 365/366-day year and actual days elapsed.

Principal of and interest on each Note shall be payable at, or by wire transfer by, the principal office of the Issuing and Paying Agent in lawful money of the United States of America. Any Note may include provision for prepayment if the Treasurer so determines and any Note may be prepaid with the consent of the Holder thereof.

The Notes shall be issued in Authorized Denominations.

The Notes are payable as to both principal and interest exclusively from the Available Funds.

The Notes may be issued with interest subject to federal income tax if the Treasurer determines it is in the best interests of the State to do so.

Section 3.03 Forms of Notes.

(a) If the Notes are registered in the name of the Securities Depository or the Nominee, the Notes shall be in such form as is requested by the Securities Depository and provided in the Issuing and Paying Agent Agreement; and (b) unless the Notes are registered in the name of the Securities Depository or the Nominee, Notes shall be in substantially the following form (with such variations, omissions and insertions, due to differences in various Notes with respect to denominations, dates and other provisions, as may be required or permitted by this Resolution):

[FORM OF COMMERCIAL PAPER NOTE]

“STATE OF CALIFORNIA
GENERAL OBLIGATION [TAX-EXEMPT/TAXABLE] COMMERCIAL PAPER NOTE”

Note No. _____ Dated: _____ \$ _____
On _____ for value received, the State of California promises to pay to the order of
_____ the sum of _____ (\$ _____) payable at
_____, with interest at the rate of ____% per annum,
calculated on the basis of a 365/366-day year and actual days elapsed.

[SEAL]

STATE OF CALIFORNIA

Countersignature:

NOT VALID UNLESS
COUNTERSIGNED BY

Governor

as Issuing and Paying Agent

Controller

By _____

Treasurer

The indebtedness evidenced hereby is payable only from Available Funds as defined in the authorizing resolutions on file with the Issuing and Paying Agent.”

Section 3.04 Execution of Notes. Each of the Notes shall be executed in the name and on behalf of the State, with the manual or facsimile signatures of the Governor, the Controller and the Treasurer and each of the Notes shall bear an impress or a facsimile of the State seal. Each Note shall be manually countersigned by the Issuing and Paying Agent.

Section 3.05 Registration and Transfer of Notes. The Issuing and Paying Agent appointed pursuant to Section 4.03 shall act as registrar of the Notes. The Issuing and Paying Agent shall maintain sufficient books for the registration and transfer of the Notes.

Only Notes that are manually countersigned by the Issuing and Paying Agent shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution. The manual countersignature shall be conclusive evidence that the Notes have been authenticated and delivered and are entitled to the benefits of this Resolution.

Any Note may, in accordance with its terms, be transferred upon the books kept by the registrar by the person in whose name it is registered, in person or by an authorized attorney,

upon surrender of the Note for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the registrar, duly executed.

Whenever any Note or Notes shall be surrendered for transfer, the State shall execute and the Issuing and Paying Agent shall manually countersign, register and deliver a new fully registered Note or Notes, of the same Series and maturity and for a like aggregate principal amount. The State or the Issuing and Paying Agent may charge a sum not exceeding \$5.00 for each new Note delivered upon any transfer, and the registrar shall require the payment by the Noteholder requesting transfer of any tax or other governmental charge required to be paid with respect to transfer.

No transfers of Notes shall be required to be made during the period between a Record Date and the interest payment date.

Section 3.06 Ownership of Notes. The State and the Issuing and Paying Agent may treat any Noteholder as the absolute owner of such Note for the purpose of receiving payment thereof and for all other purposes, and neither the State nor the Issuing and Paying Agent shall be affected by any notice or knowledge to the contrary.

Section 3.07 Notes Mutilated, Lost, Destroyed or Stolen. If any Note shall become mutilated, the Treasurer, at the expense of the Noteholder of said Note, shall execute and deliver and the Issuing and Paying Agent shall manually countersign a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Treasurer of the Note so mutilated. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Treasurer and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Treasurer, at the expense of the Noteholder, shall execute and deliver and the Issuing and Paying Agent shall manually countersign a new Note of like tenor in lieu of and in substitution for the Note so lost, destroyed or stolen. Neither the Treasurer nor the Issuing and Paying Agent shall be required to treat both the original Note and any duplicate Note as being outstanding for the purpose of determining the principal amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same.

Section 3.08 Legal Opinion as to Validity of Notes. The Committee determines that it will increase the salability or the price of the Notes to obtain a legal opinion of nationally recognized bond counsel, in addition to that of the Attorney General, as to the validity of the Notes. The Treasurer is authorized to obtain such a legal opinion on the condition that at the time that any Notes are issued, the Treasurer certifies that the basis for the Committee's determination continues to be valid.

ARTICLE IV

ISSUANCE AND SALE OF NOTES

Section 4.01 Issuance and Sale of Notes. As provided in Section 3.01, whenever the Treasurer determines that the State shall sell and issue Notes, the Treasurer shall deliver a Certificate of the State (which may be combined for several bond acts, all authorized to issue

commercial paper) to the Issuing and Paying Agent prescribing the terms of such Notes and the sale or issuance thereof, all pursuant to Section 3.02, and representing (i) that all action on the part of the State necessary for the valid issuance of the Notes then to be issued, has been taken, (ii) that all provisions of State and federal law necessary for the valid issuance of such Notes with provision for interest excludable from gross income for purposes of federal income taxes and exempt from State of California personal income taxes have been complied with, if applicable, (iii) that such Notes in the hands of the Noteholders thereof will be valid and enforceable obligations of the State according to their terms, and (iv) that the interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from State of California personal income tax, if applicable. Each such Certificate of the State shall also certify that:

(a) no event of default under Section 7.01 has occurred and is continuing as of the date of such Certificate; and

(b) the State is in compliance with the covenants set forth in Article VI as of the date of such Certificate.

Section 4.02 Proceeds of Sale of Notes. Notes may be issued, and the proceeds of any Notes (net of all expenses and costs of sale and issuance) shall be applied, first, to the repayment of principal of any maturing Notes and Resolution I Notes, second, to the repayment of any loans made in reliance either on this Resolution or on any prior resolution of this Committee and transferred by the Committee to this Resolution, and thereafter for any or all of the other purposes specified in the Act.

Section 4.03 Issuing and Paying Agent; Other Agents.

(a) The Treasurer is authorized and directed to select and to appoint an Issuing and Paying Agent (which shall be a commercial bank or trust company or association) and to enter into an Issuing and Paying Agent Agreement governing the duties and responsibilities of the Issuing and Paying Agent. The Treasurer may remove said firm as Issuing and Paying Agent and appoint one or more successors thereto (which shall be a commercial bank or trust company or association). All Notes validly authenticated and delivered by the Issuing and Paying Agent prior to its removal, and the authority granted to the Issuing and Paying Agent with respect to the payment of such Notes, shall be valid obligations notwithstanding such removal, and the Issuing and Paying Agent shall maintain the powers of Issuing and Paying Agent with respect to such Notes until the same have been paid in full. Notwithstanding the above, any bank, company or association into which the Issuing and Paying Agent may be merged or converted or with which it may be consolidated or any bank, company or association resulting from any merger, conversion or consolidation to which it shall be a party or any bank, company or association to which the Issuing and Paying Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Issuing and Paying Agent without the execution or filing of any paper or further act.

(b) The Treasurer is authorized to select and appoint broker-dealers, remarketing agents, financial and legal advisers or any other agents or advisers that the Treasurer

deems necessary or desirable to facilitate the sale of Notes, and to enter into agreements with such parties for such services that the Treasurer deems necessary or desirable for the Notes.

Section 4.04 The Credit Providers and the Credit Agreement.

(a) The Treasurer is authorized and directed to select and to appoint a Credit Provider or Credit Providers, and to enter into one or more Credit Agreements with such Credit Provider or Credit Providers to provide the terms and conditions under which said Credit Provider or Credit Providers will furnish a letter of credit, standby purchase agreement or other form of liquidity or credit facility for the Notes.

(b) The Treasurer shall maintain a Credit Agreement in effect while any Notes are outstanding under this Resolution, and shall not have outstanding an aggregate amount of Notes under this Resolution and commercial paper notes under similar resolutions adopted by other finance committees, which, together with the accrued interest thereon, is in excess of the aggregate amount covered by the Credit Agreement then in effect. The Treasurer shall not terminate or modify any Credit Agreement in a manner which would adversely affect the credit rating for any outstanding Notes. The Treasurer will give or cause to be given the following notices to the DTC, with the request that such notice be communicated to any Holder of outstanding Notes: (i) notice of any change in the composition of the Credit Providers under any Credit Agreement for any issue of Notes no less than 15 days prior to such change, (ii) notice of the termination of any Credit Agreement for any issue of Notes no less than 15 days prior to such termination, and (iii) immediate notice of the occurrence of any event of default as described in any Credit Agreement for any issue of Notes which would cause the immediate termination of the Credit Providers' obligation to purchase Notes or otherwise provide credit enhancement for Notes.

ARTICLE V

AUTHORIZATION AND ISSUANCE OF BONDS

Section 5.01 General.

The Committee finds and determines as stated in Section 2.01 that it is necessary and desirable to issue the Bonds. The Treasurer is authorized to determine the structure of the Bonds to be issued in any of the forms provided in Section 5.02. To the extent the Bonds will be used to repay maturing Notes or Resolution I Notes, the Committee hereby finds and determines that general obligation commercial paper notes are a short-term borrowing mechanism and general obligation bonds are generally a long-term borrowing mechanism, and as a result, by restructuring the short-term borrowing into a long-term borrowing, the issuance of Bonds to repay maturing Notes or Resolution I Notes will effect a favorable reorganization of the debt structure of the State. The Committee makes such finding on the condition that at the time that each Series of Bonds is issued to be used to pay maturing Notes or Resolution I Notes, the Treasurer certifies that the basis for the Committee's determination continues to be valid.

The Bonds authorized to be issued by this Resolution may be issued in combination with bonds authorized by prior or subsequent resolutions of this Committee, may be issued in one or

more Series from time to time with letter designations determined by the Treasurer and may be issued in combination with other similar general obligation bonds of the State under other bond acts. Each succeeding Series of Bonds issued under the Act shall be lettered in sequence except as convenience of lettering may otherwise require. The Bonds may be issued with interest includable in gross income under the Code if the Treasurer determines it is in the State's best interest to do so.

Section 5.02 Authorization of Bonds.

(a) Fixed Rate Bonds:

The Treasurer is authorized and directed to provide for the preparation of the requisite number of Bonds bearing interest at fixed rates in substantial conformity with the following specifications:

(i) Name of Bonds: State of California High-Speed Passenger Train Bonds, Series __.

(ii) Aggregate Par Value: The Authorized Amount or such portion thereof as the Treasurer may deem appropriate.

(iii) Form, Number, Denomination and Authorized Amount: The Bonds shall be issued only in fully registered form, without coupons, in Authorized Denominations (not exceeding the amount maturing at any one time), shall be numbered in consecutive numerical order within each Series, and shall be issued in a principal amount such that the aggregate principal amount of Notes and Resolution I Notes outstanding together with the aggregate principal amount of Bonds shall never exceed the Authorized Amount.

(iv) Date of any Series of Bonds: Any date between April 1, 2009, and the termination of the effectiveness of this Resolution pursuant to Section 8.07, that may be deemed appropriate by the Treasurer.

(v) Annual Rate of Interest and Interest Payment Dates: The annual rate of interest on the Bonds shall not exceed the greater of (a) 11% per annum or (b) the maximum rate allowed by law at the time of sale of the Bonds. The rate or rates of interest shall be determined at the time of the sale of the Bonds on the basis of the lowest true interest cost to the State or as negotiated by the Treasurer. The rate or rates of interest need not be uniform for all of the Bonds, but shall be in multiples of one-eighth or one-twentieth of one percent. Interest shall be payable semi-annually on dates to be selected by the Treasurer and the first interest payment date may be any date within one year after the date of the Bonds.

(vi) Provisions for Redemption and Other Terms of the Bonds: The Bonds may be subject to redemption prior to their fixed maturity dates as determined by the Treasurer. The Treasurer shall set forth in a Supplemental Certificate relating to such Bonds, any optional, mandatory and extraordinary redemption provisions relating to the Bonds, the manner of the call or the notice thereof, the price or prices at which the Bonds shall be subject to redemption and any other terms and conditions deemed necessary for the Bonds.

(vii) Dates of Maturity and Amounts Maturing: The Committee has considered program funding needs, revenue projections, financial market conditions, and other necessary factors in determining the term of the Bonds. The term of the Bonds shall not exceed the period concluding the earlier of (A) 35 years from the date of the Bonds, or (B) 40 years after the initial issuance of any Notes being refunded from the proceeds of the Bonds. Prior to the sale of Bonds in accordance herewith, the Treasurer shall determine the maturity date for each Series of Bonds and set the amount maturing at each date of maturity for each Series of Bonds in accordance with Sections 2704.11(b) and 2704.13 of the California Streets and Highways Code and the Act. The Treasurer shall determine the amount to be set aside in each fiscal year of the State in the mandatory sinking fund for the redemption of the Bonds in accordance with Section 16731(c) of the California Government Code and the provisions of a Supplemental Certificate, if applicable.

(viii) Form and Language: The form and language of the Bonds shall be substantially as set forth in Appendix A, with such changes therein as the Treasurer may approve.

(ix) Additional Terms: The Treasurer shall evidence the Treasurer's determination of certain terms of each Series of Bonds, as authorized by this Section, in a Supplemental Certificate which shall be deemed to be a part of this Resolution. The Supplemental Certificate may set forth such matters as the dated date, interest rates, maturity schedule, principal and interest payment dates, sinking fund payment schedule, and redemption provisions for the Bonds, and any other terms, conditions and provisions not otherwise set forth herein deemed necessary for the Bonds.

(b) Variable Rate Bonds:

The Treasurer is authorized and directed to provide for the preparation of the requisite number of Bonds bearing interest at variable rates in substantial conformity with the following specifications:

(i) Name of Bonds: State of California High-Speed Passenger Train Bonds, Series __, with the series designation, sub-series designation and amounts to be determined by the Treasurer in a Supplemental Certificate, as necessary.

(ii) Aggregate Par Value: The Authorized Amount or such portion thereof as the Treasurer may deem appropriate.

(iii) Form, Number, Denomination and Authorized Amount: The Bonds shall be issued only in fully registered form, without coupons, in Authorized Denominations (not exceeding the amount maturing at any one time), shall be numbered in consecutive numerical order within each Series, and shall be issued in a principal amount such that the aggregate principal amount of Notes and Resolution I Notes outstanding together with the aggregate principal amount of Bonds shall never exceed the Authorized Amount.

(iv) Date of any Series of Bonds: Any date between April 1, 2009 and the termination of the effectiveness of this Resolution pursuant to Section 8.07, that may be deemed appropriate by the Treasurer.

(v) Annual Rate of Interest and Interest Payment Dates: The annual rate of interest on the Bonds shall not exceed the greater of (a) 11% per annum or (b) the maximum rate allowed by law at the time of sale of the Bonds. The Treasurer shall set forth in a Supplemental Certificate, relating to such Bonds, the interest payment dates for the Bonds, methods of determining the variable rates of interest accruing from time to time on the Bonds and other terms necessary and convenient for Bonds bearing such variable rates of interest. The Treasurer is authorized to amend the Supplemental Certificate, as and when he or she deems it necessary or desirable, with or without consent of the bondholders to the extent provided in the Supplemental Certificate. The first interest payment date may be any date within one year after the date of the Bonds.

(vi) Provisions for Redemption and Tender and Other Terms of the Bonds: The Bonds may be subject to redemption prior to their fixed maturity dates as determined by the Treasurer. The Treasurer shall set forth in a Supplemental Certificate relating to such Bonds, any optional, mandatory and extraordinary redemption provisions relating to the Bonds, any optional and mandatory tender provisions relating to the Bonds, the manner of the call or the notice thereof, the price or prices at which the Bonds shall be subject to redemption or tender and any other terms and conditions deemed necessary for the Bonds.

(vii) Dates of Maturity and Amounts Maturing: The Committee has considered program funding needs, revenue projections, financial market conditions, and other necessary factors in determining the term of the Bonds. The term of the Bonds shall not exceed the period concluding the earlier of (A) 35 years from the date of the Bonds, or (B) 40 years after the initial issuance of any Notes being refunded from the proceeds of the Bonds. Prior to the sale of Bonds in accordance herewith, the Treasurer shall determine the maturity date for each Series of Bonds and set the amount maturing at each date of maturity for each Series of Bonds in accordance with Sections 2704.11(b) and 2704.13 of the California Streets and Highways Code and the Act. The Treasurer shall determine the amount to be set aside in each fiscal year of the State in the mandatory sinking fund for the redemption of the Bonds in accordance with Section 16731(c) of the California Government Code and the provisions of a Supplemental Certificate, if applicable.

(viii) Form and Language: The form and language of the Bonds shall be generally as set forth in Appendix B, with such changes therein as the Treasurer may approve, and in such more particular form as shall be set forth in a Supplemental Certificate relating to such Series of Bonds.

(ix) Additional Terms: The Treasurer shall evidence the Treasurer's determination of certain terms of each Series of Bonds, as authorized by this Section, in a Supplemental Certificate which shall be deemed to be a part of this Resolution. The Supplemental Certificate may set forth such matters as the dated date, methods of determining interest rates, maturity schedule, principal and interest payment dates, sinking fund payment schedule, and redemption and tender provisions for the Bonds, and any other terms, conditions and provisions not otherwise set forth herein deemed necessary for the Bonds.

(c) Use of Proceeds

If proceeds of the sale of any Bonds (net of costs of issuance) are used to repay maturing Notes or Resolution I Notes, the proceeds of such Bonds shall be deposited into the Refunding Escrow Fund of the State Treasury pursuant to Section 16784 of the California Government Code and invested in Defeasance Obligations. The proceeds of the sale of any Bonds (net of costs of issuance) which are not used to repay maturing Notes or Resolution I Notes shall be deposited in the Fund (as defined in the Act) and used for any purposes permitted by the Act.

(d) Defeasance of Bonds and Notes

Pursuant to the Act and the Refunding Law, refunding bonds may be issued to refund outstanding Bonds and Notes at or prior to their stated maturity. Pursuant to California Government Code Section 16784 of the Refunding Law and Section 5.02(c), the proceeds of such refunding bonds shall be deposited into the Refunding Escrow Fund of the State Treasury, which Fund is irrevocably dedicated to pay the principal of, premium, if any, and interest on the refunded Bonds and Notes as it comes due. For purposes of this Resolution, if Bonds are issued to repay the principal of maturing Notes or Resolution I Notes and the proceeds of such Bonds are deposited into the Refunding Escrow Fund of the State Treasury pursuant to California Government Code Section 16784 and Section 5.02(c), the refunded Notes or Resolution I Notes will no longer be deemed outstanding. If Defeasance Obligations sufficient to pay all of the principal of, premium, if any, and interest on the refunded Bonds to their maturity or date fixed for redemption are so deposited in the Refunding Escrow Fund, the refunded Bonds will no longer be deemed outstanding for purposes of this Resolution. Except in the case of the defeasance of Bonds by the deposit of the full amount of the principal and interest due until redemption or maturity, the sufficiency of the deposit in the Refunding Escrow Fund shall be verified by a firm of independent public accountants.

Section 5.03 Credit Providers, Agents and Advisors. The Treasurer is authorized and directed to select and appoint one or more Credit Providers, tender agents, remarketing agents, auction agents, broker-dealers, financial and legal advisors or any other agents or advisors that the Treasurer deems necessary or desirable for any Series of Bonds, and to enter into Credit Agreements, tender agent agreements, remarketing agreements, auction agent agreements, broker-dealer agreements or any other agreements with such parties, that the Treasurer deems necessary or desirable for any Series of the Bonds, as applicable.

Section 5.04 Sale of Bonds.

(a) Fixed Rate Bonds. The Treasurer is authorized to cause all or any part of the Bonds of each Series bearing interest at fixed rates to be sold for cash, either (i) at public sale to the highest bidder (at the lowest true interest cost), or (ii) by negotiated sale to (a) Underwriters qualified by the Treasurer pursuant to Section 5703 of the California Government Code, or (b) a purchaser or purchasers buying Bonds for their own account and without a view toward resale, selected by the Treasurer, if the Treasurer determines that such negotiated sale will result in a lower interest cost, in such amounts and at such times and upon such terms as the Treasurer deems advisable, and to cause notice of any public sale or sales to be published as

provided by law. With respect to Bonds sold by the Treasurer by negotiated sales, the Treasurer shall make a finding on the public record as to why a public sale was not used. The Treasurer may sell the Bonds at a price below the par value thereof, but the discount on the Bonds shall not exceed three percent (3%) of the par value.

(b) Variable Rate Bonds. The Treasurer is authorized to cause all or any part of the Bonds of each Series bearing interest at variable rates to be sold for cash, by negotiated sale to (i) Underwriters qualified by the Treasurer pursuant to California Government Code Section 5703, or (ii) a purchaser or purchasers buying Bonds for their own account and without a view toward resale, selected by the Treasurer, if the Treasurer determines such negotiated sale is in the best interest of the State, in such amounts and at such times and upon such terms as the Treasurer deems advisable. The Treasurer may sell the Bonds at a price below the par value thereof, but the discount on the Bonds shall not exceed three percent (3%) of the par value.

(c) Bonds that are issued as refunding securities to repay outstanding Notes or Resolution I Notes may be sold by negotiated sale if the Treasurer, pursuant to California Government Code Section 16781, determines that it is in the best interest of the State to do so.

(d) The Treasurer may combine, for purposes of sale, the Bonds with any other series of general obligation bonds of the State heretofore or hereafter authorized by any body of the State.

(e) If the Bonds are to be sold at competitive bid, the Notice of Sale of the Bonds shall be in substantially the form of Appendix C, with such changes therein as the Treasurer may approve.

Section 5.05 Execution of Bonds. Each of the Bonds shall be executed in the name and on behalf of the State, with the manual or facsimile signatures of the Governor, the Controller and the Treasurer and each of the Bonds shall bear an impress or a facsimile of the State seal. Each Bond shall be manually countersigned by the Treasurer, as registrar.

Section 5.06 Registration and Transfer of Bonds. The Treasurer is appointed to act as registrar of the Bonds. The Treasurer shall maintain sufficient books for the registration and transfer of the Bonds.

Only Bonds that bear a certificate of registration in the form set forth in Appendix A or Appendix B, as applicable, executed by the registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution. The certificate of the registrar shall be conclusive evidence that the Bonds have been authenticated and delivered and are entitled to the benefits of this Resolution.

Any Bond may, in accordance with its terms, be transferred upon the books kept by the registrar by the person in whose name it is registered, in person or by an authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the registrar, duly executed.

Whenever any Bond or Bonds shall be surrendered for transfer, the State shall execute and the registrar shall register and deliver a new fully registered Bond or Bonds, of the same

Series and maturity and for a like aggregate principal amount. The State may charge a sum not exceeding \$5.00 for each new Bond delivered upon any transfer, and the registrar shall require the payment by the bondholder requesting transfer of any tax or other governmental charge required to be paid with respect to transfer.

No transfers of Bonds shall be required to be made during the period between a Record Date and the interest payment date.

The Treasurer may resign as registrar and appoint a successor registrar that meets all applicable requirements of State law. The Treasurer may remove any successor registrar and appoint a successor registrar that meets all applicable requirements of State law.

Section 5.07 Ownership of Bonds. The Treasurer, as registrar and paying agent, and any successor issuing and paying agent, may treat any Bondholder as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, and neither the Treasurer nor such successor shall be affected by any notice or knowledge to the contrary.

Section 5.08 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Treasurer, at the expense of the Bondholder of said Bond, shall execute and deliver a new Bond of like tenor and number in exchange and substitution for the Bond so mutilated, but only upon surrender to the Treasurer of the Bond so mutilated. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Treasurer and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Treasurer, at the expense of the Bondholder, shall execute and deliver a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The State shall not be required to treat both the original Bond and any duplicate Bond as being outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder, but both the original and the duplicate Bond shall be treated as one and the same.

Section 5.09 Legal Opinion as to Validity of Bonds. The Committee determines that it will increase the salability or the price of the Bonds to obtain a legal opinion of nationally recognized bond counsel, in addition to that of the Attorney General, as to the validity of the Bonds. The Treasurer is authorized to obtain such a legal opinion on the condition that at the time that each Series of Bonds is issued, the Treasurer certifies that the basis for the Committee's determination continues to be valid.

ARTICLE VI

COVENANTS OF THE STATE

Section 6.01 Authorization. The State will not permit the aggregate principal amount of indebtedness issued hereunder represented by Obligations outstanding at any one time or sold from time to time to exceed the limitations specified in Section 2.01.

Section 6.02 Punctual Payment. The State will punctually pay or cause to be paid the principal (whether at maturity or upon redemption) or Purchase Price of, premium, if any, and interest on the Obligations (but only from Available Funds), in conformity with the terms of the Obligations and this Resolution. The full faith and credit of the State are pledged to the payment

of the principal (whether at maturity or upon redemption) or Purchase Price of and interest on the Obligations as such principal, Purchase Price and interest come due.

Section 6.03 Maintenance of Issuing and Paying Agent. So long as any Notes are outstanding, the State will at all times maintain an Issuing and Paying Agent for the Notes.

Section 6.04 Opinion of Counsel. The legal opinion of the Attorney General and nationally recognized bond counsel as to the validity of the Bonds and, if applicable, the legal opinion of nationally recognized bond counsel as to federal income tax and State of California personal income tax matters relating thereto will be furnished to any Bondholder without cost.

Section 6.05 Tax Covenants.

The following covenants are made only if the interest on the Obligations is to be excludable from gross income for federal income tax purposes:

(a) The State shall at all times do and perform all acts and things permitted by law and this Resolution which are necessary or desirable to assure that interest paid on the Obligations (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the State agrees to comply with the provisions of any tax certificate (the "Tax Certificate") entered into at the time the Obligations are issued. This covenant shall survive payment in full or defeasance of the Obligations.

(b) In the event that at any time the Treasurer is of the opinion that for purposes of this Section it is necessary to restrict or to limit the yield on the investment of any moneys held by any agent or custodian of such moneys, the Treasurer shall so instruct the agent or custodian in writing.

(c) Notwithstanding any provisions of this Section, if the State shall receive an opinion of nationally recognized bond counsel that any specific action required under this Section or under the Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Obligations, the State may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 6.06 Continuing Disclosure.

(a) Concurrently with the issuance of any Bonds hereunder, the Treasurer is hereby authorized and directed, on behalf of the State, to execute and deliver, as necessary, a Continuing Disclosure Certificate, complying with the requirements of the Rule and to take all other actions necessary to comply with the Rule. In addition, the Treasurer is authorized to execute and deliver a Continuing Disclosure Certificate, if the Treasurer determines it to be in the best interest of the State, even if it is not required by the Rule, such determination to be conclusively evidenced by the execution and delivery thereof.

(b) The State hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate while any Bonds are outstanding. Notwithstanding any other provision of this Resolution, failure of the Treasurer to comply with the requirements of the Rule applicable to the Bonds or the Continuing Disclosure Certificate shall not be considered an event of default hereunder; however, the Treasurer may (and, at the request of the remarketing agent or the holders of at least 25% aggregate principal amount of outstanding Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the State to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

(c) The obligations of the State under the Continuing Disclosure Certificate, and the rights of the Bondholders thereunder, may be modified or amended as provided in the Continuing Disclosure Certificate, or by the written consent of the Bondholders holding sixty percent (60%) of the Bonds outstanding at that time.

(d) All other agencies of the State, including those represented on this Committee, are directed to provide information within their knowledge to the Treasurer for inclusion in any annual reports prepared by the Treasurer pursuant to any Continuing Disclosure Certificate, in such manner that the Continuing Disclosure Certificate will be accurate and complete.

ARTICLE VII

EVENT OF DEFAULT AND REMEDIES OF NOTEHOLDERS AND BONDHOLDERS

Section 7.01 Event of Default. It shall be an event of default hereunder if the State shall fail to pay or cause to be paid, when due, or shall have declared a moratorium on the payment of, or repudiated any Obligation.

Section 7.02 Suits at Law or in Equity and Mandamus. In case one or more events of default shall occur, then and in every such case the Holder of any Obligation at the time outstanding shall be entitled to proceed to protect and enforce such Holder's rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, whether by mandamus or other suit or proceeding at law or in equity, for the specific performance of any covenant or agreement contained in this Resolution, or in aid of the exercise of any power granted in this Resolution, or to enforce any other legal or equitable right vested in the Holders by this Resolution or the Obligations or by law, provided, however, that no such actions may be taken by any Holders of affected Obligations without the written consent of the Credit Provider or Credit Providers under any Credit Agreement for any issue of affected Obligations (or a specified majority of such Credit Providers entitled to grant such consent under such Credit Agreement), so long as such Credit Provider or Credit Providers are not in default of their obligations under such Credit Agreement. The provisions of this Resolution shall be a contract with each and every Holder, and the duties of the State and of the Committee shall be

enforceable by any Holder by mandamus or other appropriate suit, action or proceeding in any California court of competent jurisdiction.

Section 7.03 Remedies Not Exclusive. No remedy herein conferred upon the Holders is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Holder of any one or more of the Obligations.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Supplemental Resolutions. The State may modify or amend this Resolution with respect to any authorized but unissued Obligations without any limit. The State may modify or amend this Resolution with respect to any outstanding Obligations and the rights and obligations of the Holders of such outstanding Obligations and the State at any time by a Supplemental Resolution, without notice to or the consent of any Holder, but only to make such provisions for the purpose of (i) curing any ambiguity, curing, correcting or supplementing any defective provision contained in this Resolution or (ii) complying with requirements of the Code to satisfy the covenants of Section 6.05; in each case as the Committee may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests of the Holders of the affected Obligations or the Credit Providers under any Credit Agreements relating to the affected Obligations, if any. The State shall give notice to such Credit Providers of any Supplemental Resolution.

With respect to Bonds bearing variable rates of interest, the State may also modify, alter, amend or supplement this Resolution or any Supplemental Certificate relating to any Series of Bonds in any other respect pursuant to the provisions of the Supplemental Certificate, relating to such Bonds, including amendments which would not otherwise be permitted hereunder, if (i) the effective date of such Supplemental Resolution is a date on which all Bonds of the Series affected thereby are subject to mandatory tender for purchase pursuant to the Supplemental Certificate relating to such Bonds, or (ii) notice by mail of the proposed Supplemental Resolution is given to Holders of the affected Bonds at least 30 days before the effective date thereof and, on or before such effective date, such Bondholders have the right to demand purchase of their Bonds pursuant to the terms of the Supplemental Certificate relating to such Bonds.

Section 8.02 Interim Borrowing and Reimbursement.

(a) It is the expectation of this Committee that the Obligations may be issued following the expenditure, in whole or in part, of funds for purposes authorized by the Act, namely to provide funds for the projects as authorized under the Act (the "Projects"). In order to provide moneys to carry out the purposes, the Committee authorizes the Agencies (as defined above) to request loans from the General Fund ("GF") or from the Pooled Money Investment Account ("PMIA") (in either case as provided for in the applicable provisions of the California Government Code). The Committee acknowledges that the willingness of the State's Director of

Finance or the Pooled Money Investment Board to enter into loans is based in part upon the action of this Committee authorizing the issuance of the Obligations as provided in this Resolution. Accordingly, this Committee declares that this Resolution shall be irrevocable to the extent of any loan of money for purposes authorized by the Act which has been made to a State agency specified in the Act by either the GF or the PMIA in reliance on this Resolution, and which has not been repaid, except that any such outstanding loans may be transferred by the Committee to a subsequent resolution. Appropriate officials of the Department of Finance and the Pooled Money Investment Board are authorized to enter into any loan documents required to make the loans. Subject only to the prior use of the proceeds of Notes or Bonds to pay the principal and interest of any maturing Notes or Resolution I Notes, the proceeds of the sale of any Obligations are irrevocably pledged first to the repayment of any loans made in reliance either on this Resolution or on any prior resolution of this Committee and transferred by the Committee to this Resolution, and thereafter for other purposes as provided in the Act.

Notwithstanding the foregoing, in the case of any Bonds sold to a private purchaser as provided in Subsections (a) or (b) of Section 5.04, and with the consent of the Pooled Money Investment Board and, if any GF Loans are outstanding, the consent of the Director of Finance, the proceeds of such Bonds may be disbursed for any purposes authorized by the Act.

(b) The reimbursement of GF or PMIA loans for costs of the Projects is consistent with the State's budgetary and financial circumstances, as no other funds or accounts of the State have been budgeted or set aside to pay the costs of the Projects on either a short-term or a long-term basis.

(c) Project expenditures that are to be reimbursed by the sale of the Obligations shall not have been paid from the proceeds of any other tax-exempt indebtedness unless such prior indebtedness will be retired with the proceeds of such Obligations.

(d) The Committee, acting on behalf of the State, hereby declares that it is the State's official intent to use proceeds of Obligations, if the interest on such Obligations is to be excludable from gross income for federal income tax purposes, in an amount not to exceed the amount stated in Section 2.01, to reimburse the GF or PMIA for Project expenditures which the Agencies may incur after the date of this Resolution. This Section of the Resolution is adopted by the Committee solely for the purposes of establishing compliance with Treasury Regulations Section 1.150-2, and does not bind the State to incur any indebtedness, or bind any Agency to proceed with any Project.

Section 8.03 Book-Entry.

(a) If the Treasurer determines that it will be to the advantage of the State, any series of the Obligations shall be initially issued and registered in the name of the Nominee, as nominee of the Securities Depository (referred to hereafter as "DTC") and shall be evidenced by registered Obligations in printed or typewritten form. Registered ownership of such series of the Obligations, or any portion thereof, may not thereafter be transferred except as follows:

(i) to any nominee of DTC, or of any substitute depository designated pursuant to clause (ii) of this subsection (“Substitute Depository”); provided that any successor of DTC or of the Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any Substitute Depository designated by the Treasurer, upon (1) the resignation of DTC or a Substitute Depository as depository, or (2) a determination by the Treasurer that DTC (or a Substitute Depository) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under applicable laws to provide the service proposed to be provided by it; or

(iii) to any other new registered owners as provided in subsection (b) below.

In the case of any transfer pursuant to clauses (i) or (ii), upon receipt of the outstanding registered Obligations by the Treasurer, new registered Obligations shall be executed and delivered by the Treasurer, registered in the name of such nominee or such Substitute Depository, as the case may be.

(b) Upon the resignation of DTC or a Substitute Depository from its function as depository without the designation of any Substitute Depository, or upon a determination by the Treasurer to discontinue the use of a depository with respect to the Obligations, and upon the receipt by the Treasurer of the outstanding registered Obligations, the Treasurer shall, as soon as practicable, execute and deliver new Obligations in registered form in such denominations and registered in the name of the Beneficial Owners of the Obligations in accordance with the records of the former depository.

(c) The Treasurer shall be entitled to treat the person in whose name any registered Obligation is registered as the owner thereof for all purposes of this Resolution and for purposes of payment of principal of, premium, if any, and interest on such Obligation, notwithstanding any notice to the contrary received by the Treasurer; and the Treasurer shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the registered Obligations. The Treasurer shall not have any responsibility or obligation to any such Beneficial Owners or to any other party, including DTC, any Substitute Depository or its successor, except to the registered owner of any registered Obligation, and the Treasurer may rely conclusively on the Treasurer’s records as to the identity of the registered owners of the registered Obligations.

(d) Notwithstanding any other provision of this Resolution and so long as all outstanding Obligations of any series are registered in the name of DTC or its registered assigns, the Treasurer shall cooperate with DTC, in effecting payment of the principal of, premium, if any, and interest on the registered Obligations by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Treasurer’s Letter of Representations to DTC.

Section 8.04 Official Statement; Purchase Contract. The Treasurer is authorized and directed to cause the preparation of an official statement or similar offering document for any

Obligations (an "Official Statement") in a form as approved by the Treasurer. All other agencies of the State, including those represented on this Committee, are directed to provide information within their knowledge to the Treasurer for inclusion in the Official Statement in such manner that the Official Statement will be accurate and complete. If a negotiated sale of Bonds occurs pursuant to Section 5.04, the Underwriters are authorized to distribute the Official Statement (including in preliminary form if so desired by the Underwriters) in the form approved by the Treasurer for purposes of marketing any Obligations. In such case the Treasurer is further authorized to enter into one or more note or bond purchase contracts or dealer agreements relating to the sale of any Obligations.

Section 8.05 Payment Not on a Business Day. If any payment is due on any Obligations on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and no interest will accrue as a result.

Section 8.06 Additional Actions. The Treasurer is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Treasurer may deem necessary or advisable to consummate the issuance, sale and delivery of the Obligations and otherwise to effectuate the purposes of this Resolution.

Section 8.07 Effective Date of Resolution; Expiration. This Resolution shall take effect immediately upon adoption, and Obligations may be issued hereunder until such time as this Committee revokes the authority to issue Obligations under this Resolution, or all Obligations authorized under this Resolution have been issued. However, all other provisions in this Resolution relating to the Obligations shall continue in full force and effect until such time as no Obligations are outstanding hereunder and all amounts due to the Credit Providers under any Credit Agreements for any outstanding Obligations have been paid to the Credit Providers.

Section 8.08 Effect on Resolution I. The provisions of Resolution I relating to the issuance of general obligation bonds and commercial paper notes authorized but not yet issued under Resolution I shall lapse upon adoption of this Resolution, and any outstanding PMIA loans or GF loans requested as authorized in Section 8.02 of Resolution I, and any Resolution I Notes shall be transferred to this Resolution. The provisions of Resolution I relating to the general obligation bonds and Resolution I Notes that have been issued as of the date hereof, if any, shall continue in full force and effect until such time as no such obligations are outstanding under Resolution I and all amounts due to Credit Providers relating to such obligations have been paid to the Credit Providers.

**HIGH-SPEED PASSENGER TRAIN FINANCE COMMITTEE
RESOLUTION III (2009)**

(Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century; Proposition 1A)

SECRETARY'S CERTIFICATE

I, Geoff Palmertree, Secretary of the High-Speed Passenger Train Finance Committee (the "Committee"), hereby certify as follows:

The foregoing is a full, true and correct copy of the Committee's Resolution III (the "Resolution"), duly adopted at a meeting of the Committee duly and legally held on April 15, 2009, of which meeting all of the members of the Committee had due notice and at which a majority thereof was present.

At said meeting the Resolution was adopted, and the vote was as follows:

MEMBER	VOTE
Treasurer of the State of California By: <u>Francisco Lujano</u>	AYE _____
Controller of the State of California By: <u>Richard Chivaro</u>	AYE _____
Director of Finance of the State of California By: <u>Tom Sheehy</u>	AYE _____
Secretary of the Business, Transportation and Housing Agency of the State of California By: <u><i>Karin Fish</i> Greg Albright</u>	AYE _____
Chairperson of the High-Speed Rail Authority By: <u>Carrie Pourvahidi</u>	AYE _____
Dated: April 15, 2009 By: <u><i>Geoff Palmertree</i></u> (Secretary of the High-Speed Passenger Train Finance Committee or Authorized Designee)	

APPENDIX A

FORM OF FIXED RATE BOND

No. R- _____

\$ _____

United States of America
State of California
_____ Bond
Series _____

Interest Rate:

Maturity Date:

Issue Dated:

CUSIP:

Registered Owner: CEDE & CO.

Principal Amount:

DOLLARS

THE STATE OF CALIFORNIA, for value received, promises to pay to the registered owner or registered assigns, on the specified maturity date, the principal amount stated above (subject to the right of redemption hereinafter mentioned). The State of California also promises to pay to the registered owner or registered assigns interest on the unpaid principal amount from the interest payment date preceding the date of registration of this bond (unless this bond is registered as of an interest payment date or the issue date, in which event it shall bear interest from that date, or unless this bond is registered prior to _____, in which event it shall bear interest from _____) at the interest rate per annum stated above, payable semiannually on _____ and _____ in each year until this bond is paid in full. Interest shall cease to accrue on this bond after the date of maturity unless this bond is presented for payment and remains unpaid after presentation. Principal of and premium, if any, on this bond is payable, on the surrender of this bond, in lawful money of the United States of America at the office of the Treasurer of the State of California, in Sacramento, California (the "Treasurer"), or at such other location as the Treasurer shall specify, or at the office of any successor registrar and paying agent, or at the option of the registered owner, at the office of any authorized agent of the Treasurer. Interest on this bond is payable in like lawful money by check or draft mailed to the person whose name appears on the bond registration books of the Treasurer (or his or her successor as registrar) as the owner as of the Record Date, at the owner's address as it appears on the registration books or at such address as the owner may have filed with the Treasurer for that purpose. "Record Date" has the meaning set forth in the Resolution (defined below).

This bond is one of an authorized issue of bonds of the State of California in the aggregate principal amount of _____ Dollars (\$ _____), all of like tenor and effect (except for variations, if any, as may be required to designate varying series, dates, numbers, maturities, interest rates or redemption features), and is one of the bonds of Series ___ of that issue in the aggregate principal amount of _____ Dollars (\$ _____). This bond is issued pursuant to the Safe, Reliable High-Speed

Passenger Train Bond Act for the 21st Century, approved by the people of the State of California at an election held on November 4, 2008, and in conformity with Resolution III of the High-Speed Passenger Train Finance Committee (the "Resolution").

Reference is hereby made to the Resolution, to all of the provisions of which any Bondholder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Bonds, the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Bondholders; the rights and remedies of the Bondholders with respect hereto and thereto, including the limitations therein contained upon the right of a Bondholder to institute any suit, action or proceeding in equity or at law with respect hereto and thereto, and limitations on the ability of a Bondholder to exercise approval or consent rights or take other action; the rights, duties and obligations of the State and the Treasurer hereunder and thereunder; the terms and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity or redemption of this bond, and the bond thereafter no longer be secured by the Resolution or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Treasurer sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

[insert redemption provisions, if applicable]

Bonds of Series ___ are issuable only as registered bonds in denominations of \$5,000 or any multiple of \$5,000. If any payment on this bond is due on a day other than a Business Day, payment will be made on the next Business Day, and no interest will accrue as a result.

The State may modify or amend the Resolution and the rights and obligations of the Bondholders and the State at any time by a Supplemental Resolution, without notice to or the consent of any Bondholder, but only to make such provisions for the purpose of (i) curing any ambiguity, curing, correcting or supplementing any defective provision contained in the Resolution, or (ii) complying with requirements of the Code to satisfy the tax covenants of the Resolution; in each case as the High-Speed Passenger Train Finance Committee may deem necessary or desirable and not inconsistent with the Resolution, and which shall not adversely affect the interests of the Bondholders of the affected Bonds.

This bond is transferable, as provided in the Resolution, upon the books of the Treasurer kept for that purpose at the office of the Treasurer by the registered owner hereof in person, or by his attorney duly authorized in writing, upon surrender of the bond together with a written instrument of transfer satisfactory to the Treasurer duly executed by the registered owner or his duly authorized attorney, and thereupon a new registered bond or bonds, and in the same aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon payment of the charges therein prescribed.

The Treasurer shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes of the Resolution, including payment of principal of, premium, if any, and interest on such Bond, notwithstanding any notice to the contrary received

by the Treasurer; and the Treasurer shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds. The Treasurer shall not have any responsibility or obligation to any such Beneficial Owners or to any other party, including DTC and the Treasurer may rely conclusively on the Treasurer's records as to the identity of the owners of the Bonds.

It is certified that all conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this bond do exist, have happened and have been performed in due time, form and manner as required by law, and that this bond is a valid and binding general obligation of the State of California. The full faith and credit of the State of California are pledged for the punctual payment of the principal of and the interest on this bond as they become due.

This bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the Certificate of Registration is executed and dated by the Registrar.

IN WITNESS WHEREOF, the Treasurer of the State of California has caused the Treasurer's facsimile signature and the facsimile signatures of the Governor and the Controller to be affixed to this bond, and has caused an impress or facsimile of the Great Seal of the State of California to be placed on this bond, all at the City of Sacramento, State of California, this ____ day of _____.

Treasurer of the State
of California

Governor of the State
of California

(SEAL)

Controller of the State
of California

CERTIFICATE OF REGISTRATION

This is one of the Bonds described in the within-mentioned Resolutions which has been registered on

_____.

TREASURER OF THE STATE OF CALIFORNIA,
as Registrar

By: _____

Deputy Treasurer

APPENDIX B

FORM OF VARIABLE RATE BOND

No. R- _____

\$ _____

United States of America

State of California

_____ Bond

Series _____

Interest Rate: Variable

Maturity Date:

Issue Dated:

CUSIP:

Registered Owner: CEDE & CO.

Principal Amount:

DOLLARS

THE STATE OF CALIFORNIA, for value received, promises to pay to the registered owner or registered assigns, on the specified maturity date, the principal amount stated above (subject to the right of prior redemption hereinafter mentioned). The State of California also promises to pay to the registered owner or registered assigns interest on the unpaid principal amount, at the rates and on the dates as specified in the Resolution (defined herein) until paid in full. Interest shall cease to accrue on this bond after the date of maturity unless this bond is presented for payment and remains unpaid after presentation. Principal of and premium, if any, on this bond is payable, on the surrender of this bond, in lawful money of the United States of America at the office of the Treasurer of the State of California, in Sacramento, California (the "Treasurer"), or at such other location as the Treasurer shall specify, or at the office of any successor registrar and paying agent, or at the option of the registered owner, at the office of any authorized agent of the Treasurer. Interest on this bond is payable in like lawful money by check or draft mailed to the person whose name appears on the bond registration books of the Treasurer (or his or her successor as registrar) as the registered owner as of the Record Date, at the registered owner's address as it appears on the registration books or at such address as the Bondholder may have filed with the Treasurer for that purpose. "Record Date" has the meaning set forth in the Resolution.

This bond is one of an authorized issue of bonds of the State of California in the aggregate principal amount of _____ Dollars (\$ _____), all of like tenor and effect (except for variations, if any, as may be required to designate varying series, dates, numbers, maturities, interest rates or redemption features), and is one of the bonds of Series _____ of that issue in the aggregate principal amount of _____ Dollars (\$ _____). This bond is issued pursuant to the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, approved by the people of the State of California

at an election held on November 4, 2008, and in conformity with Resolution III of the High-Speed Passenger Train Finance Committee (the "Resolution").

Reference is hereby made to the Resolution, to all of the provisions of which any Bondholder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Bonds, the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Bondholders; the rights and remedies of the Bondholder with respect hereto and thereto, including the limitations therein contained upon the right of a Bondholder to institute any suit, action or proceeding in equity or at law with respect hereto and thereto, and limitations on the ability of a Bondholder to exercise approval or consent rights or take other action; the rights, duties and obligations of the State and the Treasurer hereunder and thereunder; the terms and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity or redemption of this bond, and the bond thereafter no longer be secured by the Resolution or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Treasurer sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

Payment of Interest and Purchase Price. Interest on this bond is payable on the dates and as set forth in the Resolution. The Purchase Price upon optional or mandatory tender for purchase shall be made by wire transfer of immediately available funds to the account specified by the Bondholder in a written direction received by the Tender Agent on or prior to the Purchase Date or, if no such account is specified, by check mailed by the Tender Agent to the Bondholder at the address appearing on the bonds required to be kept by the Tender Agent pursuant to the Resolution.

Calculation of Interest. This bond may at any time bear interest to be calculated in such manner as provided in the Resolution. During any Interest Rate Period, the interest rate applicable to this bond will be determined at the times and in the manner provided in the Resolution. The interest rate on this Bond may not exceed the Maximum Interest Rate.

This bond shall initially be in the applicable Initial Rate Period as prescribed in the Resolution.

Interest hereon shall be computed as set forth in the Resolution.

Interest Payment Dates, Dates of Maturity and Amounts Maturing. Interest Payment Date means the initial Interest Payment Date and each Interest Payment Date thereafter, each as specified in the Resolution with respect to the Bonds. The Treasurer shall designate the semiannual interest payment dates during a Term Rate Period for each Series of Bonds bearing interest at a Term Rate. The Treasurer shall determine the Maturity Date for each Series of Bonds in accordance with the Resolution. The Treasurer shall determine the amount to be set aside in each fiscal year of the State in the mandatory sinking fund for redemption of the Bonds in accordance with Government Code Section 16731(c) and the Resolution.

Payment Not on a Business Day. If any payment on this bond is due on a day other than a Business Day, payment will be made on the next Business Day, and no interest will accrue as a result.

Denominations. The Bonds are issuable in the form of fully registered bonds in Authorized Denominations as set forth in the Resolution.

Mandatory Purchase. This bond is subject to mandatory tender as set forth in the Resolution.

Notice of mandatory tender shall be given to applicable Bondholders of this bond by the Treasurer if and as provided in the Resolution. The Holder of this bond does not have the right to retain it after any mandatory Purchase Date.

Optional Purchase. The Bonds are subject to optional purchase as set forth in the Resolution.

Payment of Purchase Price. Shall be as set forth in the Resolution.

Redemption of Bonds. This bond shall be subject to mandatory redemption prior to maturity and to redemption prior to maturity at the option of the Treasurer, in whole or in part, on the redemption dates and at the redemption prices and in the manner provided in the Resolution.

Other General Provisions. The State may modify or amend the Resolution and the rights and obligations of the registered owners and the State at any time by a Supplemental Resolution, without notice to or the consent of any Bondholder, but only to make such provisions for the purpose of (i) curing any ambiguity, curing, correcting or supplementing any defective provision contained in the Resolution, or (ii) complying with requirements of the Code to satisfy the tax covenants of the Resolution; in each case as the High-Speed Passenger Train Finance Committee may deem necessary or desirable and not inconsistent with the Resolution, and which shall not adversely affect the interests of the Bondholders of the affected Bonds or the Credit Providers, if any. The State may also modify, alter, amend or supplement the Resolution or the Supplemental Certificate relating to this Series of Bonds in any other respect, including amendments which would not otherwise be permitted under the Resolution, (i) if the effective date of such supplemental resolution is a date on which all Bonds of the Series affected thereby are subject to mandatory tender for purchase pursuant to the Resolution or (ii) if notice by mail of the proposed supplemental resolution is given to the Bondholders of the affected Bonds at least 30 days before the effective date thereof and, on or before such effective date, such Bondholders have the right to demand purchase of their Bonds pursuant to the Bondholder's option to tender for purchase.

This bond is transferable, as provided in the Resolution, upon the books of the Treasurer kept for that purpose at the office of the Treasurer by the registered owner hereof in person, or by his attorney duly authorized in writing, upon surrender of the Bond together with a written instrument of transfer satisfactory to the Treasurer duly executed by the registered owner or his duly authorized attorney, and thereupon a new registered bond or bonds, and in the same

aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon payment of the charges therein prescribed.

The Treasurer shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes of the Resolution, including payment of principal of, premium, if any, and interest on such Bond, notwithstanding any notice to the contrary received by the Treasurer; and the Treasurer shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds. The Treasurer shall not have any responsibility or obligation to any such Beneficial Owners or to any other party, including DTC and the Treasurer may rely conclusively on the Treasurer's records as to the identity of the owners of the Bonds.

It is certified that all conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this bond do exist, have happened and have been performed in due time, form and manner as required by law, and that this bond is a valid and binding general obligation of the State of California. The full faith and credit of the State of California are pledged for the punctual payment of the principal of and the interest on this bond as they become due.

This bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the Certificate of Registration is executed and dated by the Registrar.

IN WITNESS WHEREOF, the Treasurer of the State of California has caused the Treasurer's facsimile signature and the facsimile signatures of the Governor and the Controller to be affixed to this bond, and has caused an impress or facsimile of the Great Seal of the State of California to be placed on this bond, all at the City of Sacramento, State of California, this ____ day of ____.

Treasurer of the State
of California

Governor of the State
of California

(SEAL)

Controller of the State
of California

CERTIFICATE OF REGISTRATION

This is one of the Bonds described in the within-mentioned Resolutions which has been registered on

_____.

TREASURER OF THE STATE OF CALIFORNIA,
as Registrar

By: _____
Deputy Treasurer

APPENDIX C

NOTICE OF SALE

\$ _____
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS

Bids will be received by the Honorable Bill Lockyer, Treasurer of the State of California ("State Treasurer"), for the purchase of \$ _____ principal amount of State of California General Obligation Bonds dated _____ 1, ____ ("Bonds"). Bidding procedures and sale terms are as follows.

The State Treasurer reserves the right, prior to the time of the sale, to modify this Notice of Sale, including changing the Designated Maturity Schedule for Bonds (to be announced as described under "PRINCIPAL"), the redemption provisions or the aggregate principal amount of Bonds offered for sale. If practical, any such modifications will be announced via The Bond Buyer Wire (available on TM3, the Thomson Municipal Market Monitor at <http://www.tm3.com>) not later than _____, _____, by 12:00 P.M., California time. Any such modifications will also be posted on the State Treasurer's Internet site at <http://www.treasurer.ca.gov>. Bidders are required to bid upon the Bonds as so modified. The State Treasurer reserves the right to postpone or cancel the sale at any time.

ISSUE: The Bonds are described in the State of California's Preliminary Official Statement dated _____, ____ ("Preliminary Official Statement").

TIME: Bids must be delivered by [9:00 A.M.], California time, on _____, _____, ____.

PLACE: Bids must be delivered to the office of the State Treasurer in Sacramento, California at 915 Capitol Mall.

- Bidders may hand deliver bids to Room _____.
- Instead of hand delivery, bidders may electronically deliver bids as described under "ELECTRONIC BIDS" below.*

Each bidder (and not the State Treasurer) is responsible for the timely delivery of its bid, whether delivered by hand or electronically. The official time will be determined by the State Treasurer and not by any bidder or Bid Service (defined below).

* This and other references to electronic bids may be deleted if this form of bidding is not used.

INTEREST: Bidders must specify the rate or rates of interest which the Bonds will bear, subject to the following limitations. Interest will accrue from _____ 1, _____. Interest may not exceed eleven percent (11%) per annum, payable on _____ 1 and _____ 1 in each year, commencing _____ 1, _____. Bidders may specify any number of separate rates and the same rate or rates may be repeated as often as desired, but:

[Individual limitations below may be deleted or modified as determined appropriate prior to sale]

- each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%),
- no Bond shall bear more than one rate of interest,
- each Bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid,
- all Bonds of the same maturity shall bear the same rate of interest,
- the interest rate on any Bond maturing on or after _____ 1 after _____, _____ must be equal to or higher than the interest rate designated for the preceding Bond maturity, and
- all mandatory sinking fund payments shall bear the same rate of interest as the term Bonds to which they relate.

PRINCIPAL: The Bonds will mature or be subject to mandatory sinking fund redemption on _____ 1 in each of the years ____ to _____, as set forth in the Bid Form (subject to change as provided herein). The State Treasurer will determine the amount of Bonds to be issued, and the projected maturity schedule upon which bidders will be required to bid (the "Designated Maturity Schedule for Bonds"). The Designated Maturity Schedule for Bonds will be announced via The Bond Buyer Wire by not later than [11:00 a.m.] California time on _____, ____ (provided that any delay in making such announcement shall not affect the validity of the sale), and by mail or fax (upon prior request made by any prospective bidder to the Public Finance Division of the State Treasurer's Office or to the State's Financial Advisor). Such announcement will also specify any other changes in the terms of the Bonds to be offered for sale, and if any additional bond acts will be included in the sale, or may, if market conditions dictate, cancel or postpone the sale of the Bonds. The announcement will also be posted on the State Treasurer's Internet site at <http://www.treasurer.ca.gov>. Each bid must specify whether the principal amount of Bonds to be paid on each applicable _____ 1 will be a payment at maturity of serial Bonds or a mandatory sinking fund payment on term Bonds. The mandatory sinking fund payments for each term Bond must be on consecutive annual payment dates immediately preceding the maturity date of that term Bond, *provided* that no term Bond maturing on or after _____, ____ may have sinking fund payments prior to _____, _____.

REDEMPTION: The Bonds maturing on or before _____ 1, ____ are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on and after _____ 1, ____ are subject to optional redemption prior to their stated maturity dates, in whole or in part, in such order of maturity as may be designated by the State Treasurer and by lot within any maturity, on any date on or after _____ 1, ____ at a redemption price equal to 100 percent of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption:

In the event the successful bidder specifies in its bid that any Bonds are to be term Bonds with mandatory sinking fund payments, those Bonds will be subject to redemption prior to maturity, in part, by lot, at 100 percent of the principal amount to be redeemed plus accrued interest to the sinking fund payment date fixed for redemption, without premium, from mandatory sinking fund payments.

SECURITY: The Bonds are general obligations of the State, to which the full faith and credit of the State are pledged. The principal of and interest on the Bonds are payable from the General Fund of the State subject only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education. See the Preliminary Official Statement – “AUTHORIZATION OF AND SECURITY FOR THE BONDS.”

TAX EXEMPTION: Co-Bond Counsel to the State, will each render their opinion that, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Co-Bond Counsel will each further render their opinion that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel will observe that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. See the Preliminary Official Statement – “TAX MATTERS” and APPENDIX D — “PROPOSED FORMS OF LEGAL OPINIONS.”

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE: The opinions of Co-Bond Counsel and the Attorney General referred to in the Preliminary Official Statement under “LEGAL OPINIONS” will be furnished to the successful bidder on the Closing Date. The successful bidder will also receive a certificate of the Attorney General that there is no litigation pending (with service of process having been completed) affecting the validity of the Bonds.

ADDITIONAL INFORMATION: Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained from the State Treasurer at P.O. Box 942809 Sacramento, California 94209-0001 (1-800-900-3873). The Preliminary Official Statement is available on the State Treasurer’s Internet site at <http://www.treasurer.ca.gov>.

FORM OF BID: Each bid must be unconditional and in the amount of not less than ___ percent of the principal amount, and not more than ___ percent*, plus accrued interest to the date of delivery of the Bonds. By submitting a bid, the bidder agrees to all of the terms and conditions of this Notice of Sale, as modified by the State Treasurer pursuant to the second paragraph of this Notice of Sale. Bids are not required to be submitted on the bid form attached to this Notice of Sale. However, each bid must include the information required by that bid form. *All bids shall be deemed to incorporate all of the terms of this Notice of Sale.*

ELECTRONIC BIDS: Solely as an accommodation to bidders, the State Treasurer will receive bids delivered electronically through any of the following service(s) ("Bid Service(s)");

[List bid service(s) here]

Each bidder submitting an electronic bid agrees by doing so that it is solely responsible for all arrangements with the Bid Service selected by it, that the State Treasurer does not endorse or encourage the use of a Bid Service, that no Bid Service is acting as an agent of the State Treasurer and that the State Treasurer is not responsible for ensuring or verifying bidder compliance with any Bid Service's procedures. The State Treasurer is not responsible for, and each bidder expressly assumes the risk of and responsibility for, any incomplete, inaccurate or untimely bid submitted by such bidder. Instructions for submitting electronic bids must be obtained by each bidder from its Bid Service. If any provision of this Notice of Sale conflicts with information provided by a Bid Service, this Notice of Sale shall control.

THE STATE TREASURER, THE STATE'S FINANCIAL ADVISOR AND CO-BOND COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR OPENED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE STATE TREASURER SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY THE BID SERVICE AS THE OFFICIAL TIME. THE STATE TREASURER ASSUMES NO RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE DEADLINE FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE OR NOT RECEIVED.

MULTIPLE BIDS: In the event multiple bids are received from a single bidder by any means or combination thereof, the State Treasurer shall be entitled to accept the bid with the lowest TIC calculated in accordance with this Notice of Sale, as determined by the State Treasurer, from among all such bids, and each bidder agrees by submitting any bid to be bound by such lowest bid unless unambiguously withdrawn prior to the deadline for receiving bids.

GOOD FAITH DEPOSIT: Each bidder is required to provide to the State Treasurer a good faith deposit of one-half of one percent of the principal amount of the Bonds (\$_____). The deposit may be a surety bond or a cashier's check payable to the Treasurer of the State of California and drawn on a bank having a demand account relationship with the State Treasurer's Office. If a cashier's check is used, it must be submitted to the State Treasurer prior to the

* Appropriate modifications shall be made if maturity-by-maturity bidding is authorized and implemented by the Treasurer.

submission of the bid or with the bid. If a surety bond is used, it must be issued by an insurance company licensed to issue such a bond in California and it must be submitted to the State Treasurer prior to the submission of the bid. A surety bond must identify each bidder whose good faith deposit is covered by the surety bond. Each bidder is responsible for any premiums, charges or fees incurred in connection with a surety bond. Surety bonds must be submitted to the State Treasurer at 915 Capitol Mall, Room 235, Sacramento, California 95814 Attn: _____.

If the Bonds are awarded to a bidder using a surety bond as the good faith deposit, the successful bidder is required to replace the surety bond with a cashier's check or a wire transfer of federal funds not later than 3:30 P.M. (California time) on the next Business Day following the award. Immediately following the award, please contact _____ at the State Treasurer's Office at () ____ - ____ for wire instructions. If the replacement check or wire transfer is not received by that time, the surety bond may be drawn by the State Treasurer to satisfy the good faith deposit requirement.

The deposit of the successful bidder will, upon the acceptance of its bid, become the property of the State of California and will be credited to the purchase price of the Bonds at the time of delivery of the Bonds. If the purchase price is not paid in full when due, the defaulting bidder shall have no right to the Bonds and its deposit shall be retained by the State Treasurer as and for full liquidated damages for such default and shall constitute a full release and discharge of all claims and rights of the State of California against such defaulting bidder and a waiver of any right the State of California may have to additional damages for any such default. By submitting a bid each bidder waives any right to claim that actual damages resulting from any such default are less than the deposit, and agrees that the amount of the deposit is a reasonable estimate of damages that the State of California may suffer in the event of such a default.

All checks of unsuccessful bidders will be returned promptly. No interest will be paid by the State on any good faith deposit.

BASIS OF THE AWARD: The Bonds will be awarded to the bidder whose bid will result in the lowest true interest cost ("TIC") to the State. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount the debt service payments on all of the Bonds to the date of the Bonds, results in an amount equal to the purchase price bid for all of the Bonds, excluding interest accrued to the date of delivery. For the purpose of calculating the TIC, the principal amount of Bonds designated by the bidder for mandatory sinking fund redemption as part of a term Bond, if any, shall be treated as a serial maturity in each year. In the event that two or more bidders offer bids at the same lowest TIC for the Bonds, the State Treasurer will determine by lot which bidder will be awarded the Bonds. The successful bidder must pay accrued interest, computed on the basis of a 360-day year comprising twelve 30-day months, from the date of the Bonds to the date of delivery of the Bonds. The cost of preparing the Bonds will be borne by the State.

PROMPT AWARD: The State Treasurer will take action awarding the Bonds or rejecting all bids for the Bonds not later than 24 hours after the time specified for the receipt of the bids, unless such time is waived by the successful bidder. Notice of award (acceptance of a

specific bid) will be given promptly by telephone by the State Treasurer to the successful bidder. Upon notice of award, the State will accept the bid to purchase all the Bonds on the terms contained herein. Bid evaluations or rankings by any Bid Service are not binding on the State Treasurer. **FAILURE OF ANY INSURANCE PROVIDER TO ISSUE ITS POLICY SHALL NOT BE GROUNDS FOR THE SUCCESSFUL BIDDER TO FAIL OR REFUSE TO ACCEPT DELIVERY OF, OR PAY FOR, ALL OF THE BONDS.**

INSURANCE: If the successful bidder arranges municipal bond insurance for any Bonds, it does so at its own risk and expense and the obligation of the successful bidder to pay for the Bonds may not be conditioned upon the issuance of a municipal bond insurance policy. The State will not enter into any additional agreements with any bond insurer. Co-Bond Counsel will charge the successful bidder a fee of \$3,000 for providing a legal opinion addressed to any bond insurer.

EXPENSES OF SUCCESSFUL BIDDER: CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (California Government Code Section 8856), DTC charges and all other expenses of the successful bidder will be the responsibility of the successful bidder.

RIGHT OF WAIVER OR REJECTION: The State Treasurer may waive any irregularity or informality in any bid, reject any bid not conforming to this Notice of Sale or reject all bids.

ADJUSTMENT OF PRINCIPAL AMOUNTS AND AMORTIZATION SCHEDULE AFTER RECEIPT OF BIDS: The principal amount of the Bonds to be set forth in the Bid Form will reflect estimates of the State Treasurer as to the likely interest rates of the winning bid and the premium or discount contained in the winning bid. After selecting the winning bid, the amortization schedule for the Bonds may be adjusted in \$5,000 increments, if the State Treasurer elects to do so, to reflect the interest rates and any premium or discount specified in the winning bid to properly fund the refunding escrow and to accommodate certain other requirements or preferences of the State. Such adjustments will not change the aggregate principal amount of Bonds to be issued from the amount set forth in the Bid Form by more than ___* percent or change the principal payments due in any year by more than the greater of \$ _____* or ___* percent. This, however, may result in the removal of certain maturities. The dollar amount bid for the Bonds by the winning bidder will be adjusted to reflect any such adjustments in the amortization schedule. Any such adjustments will change the total (but not the per Bond) dollar amount of underwriter's discount and original issue discount or premium, if any, provided in such bid. Any such adjustment will be communicated to the winning bidder within 24 hours after the opening of the bids. Any such adjustments will not affect the determination of the winning bidder or give the winning bidder any right to reject the Bonds.

CERTIFICATE CONCERNING REOFFERING PRICES: The successful bidder must submit information to the State Treasurer, together with a signed copy of its bid, **not later than 30 minutes after receiving notification of the award of the Bonds**, specifying for each

* Appropriate modifications shall be made if determined by the Treasurer to be in the best interest of the State.

maturity of the Bonds the initial bona fide reoffering price to the public of each maturity of the Bonds, as of the date of the award of the Bonds.

The successful bidder also must submit to the State Treasurer a certificate (the "Reoffering Price Certificate"), satisfactory to Co-Bond Counsel, prior to the delivery of the Bonds and taking into account any post bid adjustment of the principal amount of any of the maturities of the Bonds, which states with respect to each maturity of the Bonds that such successful bidder either (A) has purchased the applicable maturity of the Bonds for its own account and not with a view to distribution or resale and not in the capacity of a bond house, broker or other intermediary and the price at which such purchase was made, or (B) (1) has made a bona fide public offering to the public of each applicable maturity of the Bonds at the prices indicated in the information supplied on the date of the award, and (2) an amount at least equal to 10 percent of each such maturity of the Bonds was sold to the public at the prices indicated on the date of the award, with the exception of those maturities, if any, identified in such certificate, as to which such certificate shall explain the reasons why at least 10 percent of each such maturity was not sold to the public at the price indicated for each such maturity on the date of the award. For the purposes of the information submitted on the date of the award and the Reoffering Price Certificate, the "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. In making such representations, the successful bidder must reflect the anticipated existence, if any, of a "derivative product" (e.g., a tender option) offered or to be offered by the bidder or its affiliate in connection with the initial sale of any of the Bonds. The successful bidder may also be asked by Co-Bond Counsel to clarify any discrepancies between the Reoffering Price Certificate and publicly available information relating to trades of the Bonds and to explain the failure to sell at least 10% of each maturity to the public at the prices indicated on the date of the award.

[SALES OUTSIDE OF THE UNITED STATES: The successful bidder must undertake responsibility for compliance with any laws or regulations of any foreign jurisdiction in connection with any sale of Bonds to persons outside the United States. The successful bidder must notify the State Treasurer's Office if any Bonds are sold outside the United States, and must sign a certificate at closing verifying that it has complied with all applicable laws or regulations governing the sale of the Bonds, and indemnifying the State against any liability which may arise from sale of any of the Bonds, to persons outside the United States.]

PARTICIPATION GOALS: Firms owned by disabled veterans are encouraged to respond to this invitation for bid. The State Treasurer has adopted regulations and participation goals for professional bond services firms owned by disabled veterans. These participation goals are set forth in Article 3 of Subchapter 4 of Chapter 4, Division 2 of Title 2 of the California Code of Regulations in Section 1899.522. On September 4, 2001, the Court of Appeal issued a decision in *Connerly v. State Personnel Board, et al.* that invalidated participation goals for minority and women business enterprises. As a result of that decision the regulations as they relate to minority and women business enterprises participation goals are inoperative. The court, in such decision, approved of the collection of data on the participation of minority and women business enterprises.

By submitting a bid, each bidder certifies to all of the following on behalf of itself and its syndicate or selling group:

- Bidder is aware of the State Treasurer's regulations and participation goals for disabled veteran business enterprises offering professional bond services.
- Bidder is aware that existing law requires the bidder to demonstrate a good faith effort (as defined in Section 1899.501 of Article 1 of Subchapter 4 of Chapter 4, Division 2 of Title 2 of the California Code of Regulations) toward the State Treasurer's participation goals for disabled veteran-owned firms.
- Bidder is aware and acknowledges that if the State Treasurer concludes prior to award that the bidder has not demonstrated a good faith effort, the State Treasurer is authorized under existing laws to award the contract to the next lowest responsive and responsible bidder.

After completion of the transaction, successful bidders will be required to submit reports to the State Treasurer concerning disabled veteran business enterprise outreach efforts and professional bond service participation in transactions related to the offer and sale of the Bonds. The State Treasurer's annual goal for disabled veteran business enterprises' participation on competitive contracts for professional bond services is 3 percent. Successful bidders will also be required to submit reports on professional bond service participation by minority and women business enterprises as well as all other businesses. The reports on minority and women business enterprises will be maintained solely for informational and data collection purposes.

DELIVERY AND PAYMENT: The Bonds will be made available to the successful bidder for inspection at the office of the State Treasurer at least two Business Days prior to the date fixed for delivery of the Bonds (the "Closing Date"). The Closing Date is expected to be _____, _____. Payment for the Bonds must be made simultaneously with such settlement on the Closing Date and must be in funds immediately available in Sacramento, California, in the form of a cashier's check payable to the order of the State Treasurer of the State of California and drawn on a bank having a demand account relationship with the State Treasurer's Office or a wire transfer of federal funds to the State Treasurer. The successful bidder has the right, at its option, to cancel its obligation to purchase the Bonds if the State fails to tender the Bonds as described above for a Closing Date within 60 days from the award to the successful bidder; in that event the successful bidder will be entitled to the return (without payment of interest) of its good faith deposit.

OFFICIAL STATEMENT: The State deems the Preliminary Official Statement, for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the "SEC Rule"), to be final as of its date, except for information permitted by the SEC Rule to be omitted from the Preliminary Official Statement (but the Preliminary Official Statement shall be subject to amendment or modification as deemed necessary by the State Treasurer).

The State will furnish without cost up to _____ copies of a final Official Statement to the successful bidder within seven working days after the award of the Bonds.

The State will deliver, on the Closing Date, a certificate executed by the State Treasurer to the effect that, to the best of the State Treasurer's knowledge, information and belief, as of the Closing Date, the information and statements contained or referenced in the final Official Statement, as supplemented by any supplement delivered on or prior to the Closing Date, relating to the State and the Bonds is complete, true and correct in all material respects, and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The State undertakes that for a period up to the earlier of (a) 25 days following the "end of the underwriting period" (as defined in the SEC Rule) or (b) the date when all of the Bonds have been sold by the successful bidder, it will (i) apprise the successful bidder of all material events, if any, occurring with respect to the State and the Bonds after the Closing Date, and (ii) if requested by the successful bidder, prepare a supplement to the final Official Statement in respect of any material event with respect to the State and the Bonds; provided, however, that the costs and expenses, including legal fees and expenses, associated with providing any such supplement in respect of any material event with respect to the State and the Bonds occurring after the end of the "underwriting period" will be borne by the successful bidder. The State will presume that the end of the underwriting period will occur on the Closing Date and all of the Bonds have been sold by the successful bidder as of the Closing Date unless notified otherwise in writing by the successful bidder on or prior to the Closing Date.

By making a bid for the Bonds, the successful bidder agrees to:

- provide to the State Treasurer, in writing, within 24 hours of the acceptance of the bid, pricing and other related information necessary for completion of the final Official Statement,
- disseminate to all members of the underwriting syndicate copies of the Official Statement, including any supplements prepared by the State,
- promptly notify the State as soon as all of the Bonds have been sold by the successful bidder if any Bonds are unsold on the Closing Date;
- promptly file a copy of the final Official Statement, including any supplements prepared by the State, with each Nationally Recognized Municipal Securities Information Repository, and
- take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

CONTINUING DISCLOSURE: In order to assist the successful bidder in complying with the SEC Rule, the State Treasurer, on behalf of the State, will undertake, pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The State Treasurer, on behalf of the State, will deliver the Continuing Disclosure Certificate on the Closing Date. The State has never failed to materially comply with any continuing disclosure obligations relating to any bonds for which the State was an "obligated person" within the meaning of the SEC Rule.

Dated: _____
Sacramento, California

BILL LOCKYER
Treasurer of the State of California

BID FORM

**BID FOR THE PURCHASE OF
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS**

The Honorable Bill Lockyer
Treasurer of the State of California

We offer to purchase the \$_____ aggregate principal amount of State of California General Obligation Bonds, dated _____, _____, (the "Bonds") for a purchase price of 100 percent of the principal amount of the Bonds, plus a premium of \$_____, together with accrued interest from _____ 1, _____ to the date of delivery, with the following terms:

<u>Maturity Date</u> (_____)	<u>Maturing Principal Amount**</u>	<u>Interest Rate</u>	<u>Serial Maturity*</u>	or	<u>Sinking Fund Installment*</u>	<u>Maturity Date of Term Bond*</u>
_____	\$ _____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____
_____	_____	_____ %	_____		_____	_____

* Each bidder must specify whether the principal amount of Bonds on the particular date will be a serial maturity or a mandatory sinking fund installment. The bidder must also specify the maturity date of any term bond(s). In the case of electronic bids, the interest rate specified for a term bond shall be deemed to apply to each sinking fund installment of such term bond.

** Principal amounts must be adjusted and inserted by the bidder based upon the maturity schedule, if any, announced via Bond Buyer Wire.

Account Manager

By: _____
Contact: _____
Telephone No. _____ Fax No. _____